

# **CAPITAL PROJECTS AND BOND OVERSIGHT COMMITTEE**

## **Minutes**

**April 13, 2004**

The Capital Projects and Bond Oversight Committee met on Tuesday, April 13, 2004, at 8:30 AM, in Room 131 of the Capitol Annex. Representative Jodie Haydon, Chair, called the meeting to order, and the secretary called the roll.

Present were:

Members: Senator Robert Leeper, Co-Chair; Representative Jodie Haydon, Co-Chair; Senators Tom Buford, Virgil Moore, and Jerry Rhoads; Representatives Paul Marcotte, and Jim Wayne.

Guests testifying before the committee: Bill Hintze, Governor's Office for Policy and Management; Jamie Link, Finance and Administration Cabinet; Sandy Williams, Kentucky Infrastructure Authority; George Burgess and Tom Howard, Office of Financial Management; and Ken Clevidence, University of Kentucky.

LRC Staff: Mary Lynn Collins, Pat Ingram, Nancy Osborne, Kevin Mason, and Shawn Bowen.

Representative Haydon said Mr. Bill Hintze, Deputy Budget Director, Governor's Office for Policy and Management, requested that a correction be made to the February 18, 2004 minutes. He asked Ms. Mary Lynn Collins, Committee Staff Administrator, to explain the correction. Ms. Collins said the correction involves the Committee's discussion on February 18 regarding the proposal by the Department of Corrections to use federal funds to build an 80-bed medical unit rather than a dorm as originally planned. During that discussion, questions were raised as to how health care is provided to the prison population. The relevant section of the minutes read as follows: "Mr. Hintze said last fall the Justice Cabinet changed the process for the delivery of medical care throughout the Department of Corrections. They cancelled a contract arrangement and partnership with the University of Kentucky in order to procure health care through a network of providers." Mr. Hintze has indicated that they had not cancelled a contract with UK, but had procured a contract with UK. It was suggested that the minutes be amended to read: "Mr. Hintze said last fall the Department of Corrections cancelled a number of existing medical service contracts so they could contract for a single unified medical service contract with the University of Kentucky."

Senator Moore made a motion to approve the correction to the minutes of the February 18, 2004 meeting as submitted. The motion was seconded by Senator Rhoads and passed by voice vote.

Senator Moore then made a motion to approve the minutes of the March 17, 2004 meeting as submitted. The motion was seconded by Representative Marcotte and passed by voice vote.

Representative Haydon called on Ms. Collins to review correspondence and information items. Ms. Collins said members' folders included five items of correspondence – correspondence from Sandra Woodley, Council on Postsecondary Education, reporting on reallocation of bond authorization from the 2002-2004 CPE Agency Bond Pools; quarterly status reports on authorized capital projects from the Finance and Administration Cabinet, Murray State University, University of Kentucky, University of Louisville, and Western Kentucky University; quarterly status report on court facility construction and renovation projects from the Administrative Office of the Courts; the semi-annual report of the Kentucky Asset/Liability Commission; and the Kentucky Lottery Corporation's monthly financial report for February 2004.

Also included in members' folders were three information items: a status report from the Council on Postsecondary Education on Student Housing Fire Safety; proposed legislation relating to the jurisdiction of the Capital Projects and Bond Oversight Committee; and a staff update on various capital projects. Ms. Collins noted an article in the staff update reported that there has been an escalation in the cost of construction materials, particularly steel. She said the Committee members may want to pay close attention to this, as it could affect currently authorized projects.

The next agenda item was the bond activity report from the Office of Financial Management. Representative Haydon asked Ms. Sandy Williams, Kentucky Infrastructure Authority (KIA), to report two new Fund A loan requests. Ms. Williams reported a Fund A1 planning and design loan request in the amount of \$298,200 for the Jessamine-South Elkhorn Water District. The proceeds will be used to design a sanitary sewer collection system to connect residences in Jessamine County to the West Hickman Treatment Plant.

Senator Buford made a motion to approve the Fund A1 loan. The motion was seconded by Senator Moore and passed by unanimous roll call vote.

Ms. Williams next reported a Fund A loan request in the amount of \$5,000,000 for the City of Berea. The proceeds will be used to expand the capacity of an existing regional sewer treatment plant.

Senator Rhoads made a motion to approve the Fund A loan. The motion was seconded and passed by unanimous roll call vote.

Representative Haydon said included in members' folders were two reports from KIA regarding various new Tobacco and Coal Development Grants. The General Assembly authorized each of the coal and tobacco projects identified, and no further action was required.

The next report was provided by George Burgess, Executive Director for the Office of Financial Management (OFM), and Tom Howard, Deputy Executive Director, OFM. Mr. Howard provided a follow-up report for University of Kentucky (UK) Consolidated Educational Buildings Refunding Revenue Bonds, Series P, Q, and R (Second Series), dated March 31, 2004. Mr. Howard said this bond issue provided present value savings of 1.65% (or approximately \$821,000) and approximately \$1.4 million in negative arbitrage which the University should be able to recoup under current market conditions. Mr. Howard said that would result in present value savings over 4%.

Representative Haydon then asked Mr. Burgess to present the new school bond issues. Mr. Burgess said there were 15 school bond issues with School Facilities Construction Commission (SFCC) debt service participation: Ballard County, Corbin Independent (Whitley County) (2), Hardin County (2), Hickman County, Johnson County, Laurel County, Livingston County, Marion County, Oldham County, Paris Independent (Bourbon County), Pikeville Independent (Pike County), Providence Independent (Webster County), and Walton-Verona Independent (Boone County).

Senator Leeper made a motion to approve the 15 school bond issues. The motion was seconded by Senator Buford and passed by unanimous roll call vote.

Representative Haydon said there were two locally-funded school bond issues submitted to the Committee for review this month: Bracken County and Cumberland County. He said all disclosure information has been filed, and no further action on the bond issues is required.

Representative Haydon then asked Mr. Bill Hintze to present the monthly Finance and Administration Cabinet project report. Mr. Hintze reported that the recently-approved federal budget includes \$1,200,000 in federal funds to complete the Northern Kentucky University (NKU) planetarium space in the NKU Natural Science Building. These funds will be substituted for the private funds reported as part of the March 2003 scope increase approved by the Committee. The \$500,000 in available private funds will be used to create an endowment for expenses

associated with operating the planetarium and to fund equipment upgrades. There is no change in the project's authorized scope of \$39,200,000. Representative Haydon said no further action is required.

Mr. Ken Clevidence, Associate Vice President for Fiscal Affairs, University of Kentucky, reported that the University plans to combine two parking structure projects, authorized in the 2002-04 budget, for a total scope of \$23,630,000 (\$20,280,000 agency bond funds and \$3,350,000 restricted funds). They anticipate building two structures: a 756-space garage on Virginia and Press Avenue to serve the medical center/research campus and a 583-space facility next to the new housing complex to be located on the south campus, near the existing Kirwan-Blanding Complex. Mr. Clevidence said the debt service will be paid from parking income. Representative Haydon said no further action is required.

The Committee's next meeting is scheduled for May 18 at 1:00 p.m.

With there being no further business, Senator Leeper made a motion to adjourn the meeting. The motion was seconded and passed by voice vote. The meeting adjourned at 8:45 a.m.